

Message Text

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PAGE 01 STATE 110111

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ORIGIN ARA-02

INFO OCT-01 ISO-00 EUR-01 /004 R

66011

DRAFTED BY: ARA/CAR:DCNORTON

APPROVED BY: ARA/LA/CAR:TJCHEAVNER

EUR/NE:JPSHUMATE

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R 061711Z MAY 76

FM SECSTATE WASHDC

TO AMEMBASSY KINGSTON

LIMITED OFFICIAL USE STATE 110111

FOLLOWING REPEAT LONDON 1654 ACTION SECSTATE INFO MEXICO 02 FEB

QUOTE

LIMITED OFFICIAL USE LONDON 01654

E.O. 11652: N/A

TAGS: PFOR, UK, CJ

SUBJECT: IRS REPRESENTATION IN CAYMAN ISLANDS

1. DEPUTY HEAD OF FCO ATLANTIC AND WEST INDIAN DEPARTMENT, JOHN WILLSON, SPOKE TO EMBASSY OFFICER REGARDING THE ACTIVITIES IN CAYMAN ISLANDS OF IRS AGENT GEORGE S. BARNARD, NOW STATIONED IN MEXICO CITY. WILLSON SAYS THAT BARNARD, WHOM HMG HAS /ACKNOLWEDGED" IN BUT NOT "ACCREDITED" TO THE CAYMANS, HAS CARRIED OUT INTERVIEWS THERE WITH THE REGISTRAR OF COMPANIES AND THE CHIEF OF CID. HMG'S GOVERNOR IN CAYMANS, SENSITIVE TO THE ISLANDS' REPUTATION FOR FINANCIAL PROTECTIVENESS, HAS COMPLAINED TO THE FCO. WHILE FOREIGN OFFICE OFFICIALS ARE ENTIRELY WILLING TO COOPERATE WITH THE USG ON TAX INVESTIGATIONS, THEY WOULD PREFER THAT THIS LIAISON TAKE PLACE THROUGH ESTABLISHED DIPLOMATIC CHANNELS, PREFERABLY IN LONDON.

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PAGE 02 STATE 110111

2. COMMENT: THE FOREIGN OFFICE HAS HANDLED THIS COM-

PLAINT IN A CASUAL, OPEN FASHION, ALTHOUGH WE UNDERSTAND THE ATLANTIC DEPARTMENT WAS PREPARED TO SEND THE EMBASSY A FORMAL NOTE ON THE SUBJECT. MR. BARNARD IS NOT THE OBJECT OF THE GOVERNOR'S CONCERN. HMG IS CONSCIOUS OF THE SKITTERISH NATURE OF THOSE FOUR THOUSAND-PLUS COMPANIES REGISTERED IN THE CAYMANS WHICH RELY ON THE ISLANDS' REPUTATION FOR FINANCIAL DISCRETION. THE PRESENCE OF AN IRS OFFICIAL, ESPECIALLY IF HE APPEARS TO BE INVESTIGATIVE RATHER THAN FACILITATIVE, MIGHT NOT ENCOURAGE THE SENSE OF DISCRETE CONFIDENCE ON WHICH THE ISLANDS' ECONOMY IS FOUNDED.

3. ACTION REQUESTED: ASSUMING THE CIRCUMSTANCES ARE AS OUTLINED ABOVE, WE WOULD APPRECIATE GUIDANCE WHETHER WE SHOULD INFORM FCO THAT WHATEVER OUR IRS INTEREST IN THE CAYMANS MAY BE, IT WILL BE EXPRESSED ON A GOVERNMENT-TO-GOVERNMENT BASIS IN LONDON. SPIERS UNQUOTE SISCO

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TAX COLLECTIONS, INVESTIGATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 06 MAY 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: SmithRJ
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE110111
Document Source: CORE
Document Unique ID: 00
Drafter: ARA/CAR:DCNORTON
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760175-0795
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760583/aaaacteq.tel
Line Count: 78
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: SmithRJ
Review Comment: n/a
Review Content Flags:
Review Date: 17 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <17 MAY 2004 by BoyleJA>; APPROVED <09 SEP 2004 by SmithRJ>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: IRS REPRESENTATION IN CAYMAN ISLANDS
TAGS: PFOR, CFED, EFIN, UK, CJ, US, (BARNARD, GEORGE S)
To: KINGSTON
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006